

**REPORT OF THE AUDIT OF THE
FLOYD COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES**

September 16, 2004



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**



C R I T L U A L L E N
A U D I T O R O F P U B L I C A C C O U N T S

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Paul Thompson, Floyd County Judge/Executive
Honorable John Blackburn, Floyd County Sheriff
Members of the Floyd County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the Floyd County Sheriff's Settlement - 2003 Taxes as of September 16, 2004.

We engaged Ross & Company, PLLC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Floyd County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
FLOYD COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES**

September 16, 2004

**ROSS & COMPANY, PLLC
Certified Public Accountants**

**800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
FLOYD COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES

September 16, 2004

Ross & Company, PLLC has completed the audit of the Sheriff's Settlement - 2003 Taxes for Floyd County Sheriff as of September 16, 2004. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$10,827,638 for the districts for 2003 taxes, retaining commissions of \$299,539 to operate the Sheriff's office. The Sheriff distributed taxes of \$10,522,171 to the districts for 2003 Taxes.

Deposits:

The County Sheriff's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 2003 TAXES	3
NOTES TO FINANCIAL STATEMENT	5
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	9

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Paul Thompson, Floyd County Judge/Executive
Honorable John Blackburn, Floyd County Sheriff
Members of the Floyd County Fiscal Court

Independent Auditor's Report

We have audited the Floyd County Sheriff's Settlement - 2003 Taxes as of September 16, 2004. This tax settlement is the responsibility of the Floyd County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Floyd County Sheriff's taxes charged, credited, and paid as of September 16, 2004, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Paul Thompson, Floyd County Judge/Executive
Honorable John Blackburn, Floyd County Sheriff
Members of the Floyd County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2004, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", written in dark ink.

Ross & Company, PLLC

Audit fieldwork completed -
October 15, 2004

FLOYD COUNTY
JOHN BLACKBURN, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2003 TAXES

September 16, 2004

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 986,011	\$ 1,249,231	\$ 4,127,646	\$ 904,410
Tangible Personal Property	153,660	108,217	611,617	267,409
Intangible Personal Property				133,639
Fire Protection	3,712			
Increases Through Exonerations				3
Franchise Corporation	212,219	233,807	855,181	
Additional Billings	2,240	3,040	9,376	2,210
Unmined Coal - 2003 Taxes	70,214	91,627	293,852	64,486
Oil and Gas Property Taxes	182,710	122,294	763,399	167,855
Limestone, Sand, and Mineral Reserves	4	5	17	4
Penalties	16,201	18,707	67,334	15,305
Adjusted to Sheriff's Receipt	<u>(80)</u>	<u>(104)</u>	<u>(339)</u>	<u>(98)</u>
Gross Chargeable to Sheriff	<u>\$ 1,626,891</u>	<u>\$ 1,826,824</u>	<u>\$ 6,728,083</u>	<u>\$ 1,555,223</u>
<u>Credits</u>				
Exonerations	\$ 12,794	\$ 15,647	\$ 53,442	\$ 12,156
Discounts	18,825	20,502	78,046	21,259
Delinquents:				
Real Estate	91,497	113,623	381,990	83,716
Tangible Personal Property	802	565	3,191	950
Intangible Personal Property				378
Total Credits	<u>\$ 123,918</u>	<u>\$ 150,337</u>	<u>\$ 516,669</u>	<u>\$ 118,459</u>
Taxes Collected	\$ 1,502,973	\$ 1,676,487	\$ 6,211,414	\$ 1,436,764
Less: Commissions *	<u>64,164</u>	<u>49,797</u>	<u>124,228</u>	<u>61,350</u>
Taxes Due	\$ 1,438,809	\$ 1,626,690	\$ 6,087,186	\$ 1,375,414
Taxes Paid	1,438,025	1,625,652	6,083,801	1,374,693
Refunds (Current and Prior Year)	<u>784</u>	<u>1,038</u>	<u>3,385</u>	<u>721</u>
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

* See Next Page

The accompanying notes are an integral part of this financial statement.

FLOYD COUNTY
JOHN BLACKBURN, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2003 TAXES
September 16, 2004
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	3,946,103
2% on	\$	6,211,414
1% on	\$	660,121

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT

September 16, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of September 16, 2004, the Sheriff's deposits were fully collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
September 16, 2004
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2003. Property taxes were billed to finance governmental services for the year ended June 30, 2004. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 18, 2003, through June 16, 2004.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2003. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was March 26, 2004, through September 1, 2004.

Note 4. Interest Income

The Floyd County Sheriff earned \$1,679 as interest income on 2003 taxes. As of October 15, 2004, the Sheriff owes \$15 in interest to the school district and is due \$15 in interest from his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Floyd County Sheriff collected \$88,499 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Floyd County Sheriff collected \$2,888 of advertising costs and \$6,625 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132

The Honorable Paul Thompson, Floyd County Judge/Executive
The Honorable John Blackburn, Floyd County Sheriff
Members of the Floyd County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Floyd County Sheriff's Settlement - 2003 Taxes as of September 16, 2004, and have issued our report thereon dated October 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Floyd County Sheriff's Settlement - 2003 Taxes as of September 16, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

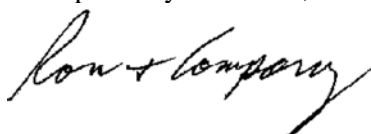
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Floyd County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -
October 15, 2004

